

U.S. VIRGIN ISLANDS
OFFICE OF MANAGEMENT & BUDGET



FISCAL YEAR 2020

4th QUARTER REVENUE & EXPENDITURE REPORT

UNITED STATES VIRGIN ISLANDS

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October 30, 2020

Table of Contents

Content and Purpose.....	Error! Bookmark not defined.
Timeframe and Limitations.....	Error! Bookmark not defined.
Summary of major revenue categories of General Fund.....	Error! Bookmark not defined.
Real Property	4
Individual Income	4
Corporate Income	6
Trade and Excise	6
Gross Receipts.....	8
Expenditures	9
Salaries.....	9
Fringe Benefits	10
Other Services.....	10
Capital Projects.....	11
Summary.....	13

Content and Purpose

This quarterly report contains an overview of the Territory's actual collection of General Fund revenues and expenditures for the fourth quarter of FY 2020, as compared to FY 2019. This report will highlight any notable trends. This report will give some initial insights into the impact of the economic consequences imposed by the COVID-19 pandemic.

The purpose of this quarterly public report on the Territory's revenues is twofold. Firstly, it ensures that the Territory is consistently monitoring its revenues and expenditures to allow for proactive responses to unanticipated changes or emerging trends. Secondly, these reports lend credibility to the Government's efforts at increasing transparency of the Territory's finances. It is the Office of Management and Budget's (OMB) belief that the government is accountable to its taxpayers to use revenues collected in an efficient and effective manner. These reports provide taxpayers with the information they need to hold the government to this standard.

As the territory continues to balance the new norm of COVID-19, the pace of collections for the fourth quarter is surprisingly good. The Territory has managed to collect in the positive compared to the same period in fiscal year 2019, in majority of the General Fund Categories. This fourth quarter report will focus entirely on the performance of the major revenue and expenditure categories for the General Fund. For all other major funds, a listing of the fund balance and legislative authority establishing those funds can be found in the Budget Book published on OMB's website. Subsequent iteration of the report will endeavor to include analysis of collections beyond the General Fund and a comparable exploration of the Territory's expenditures from said funds.

Timeframe and Limitations

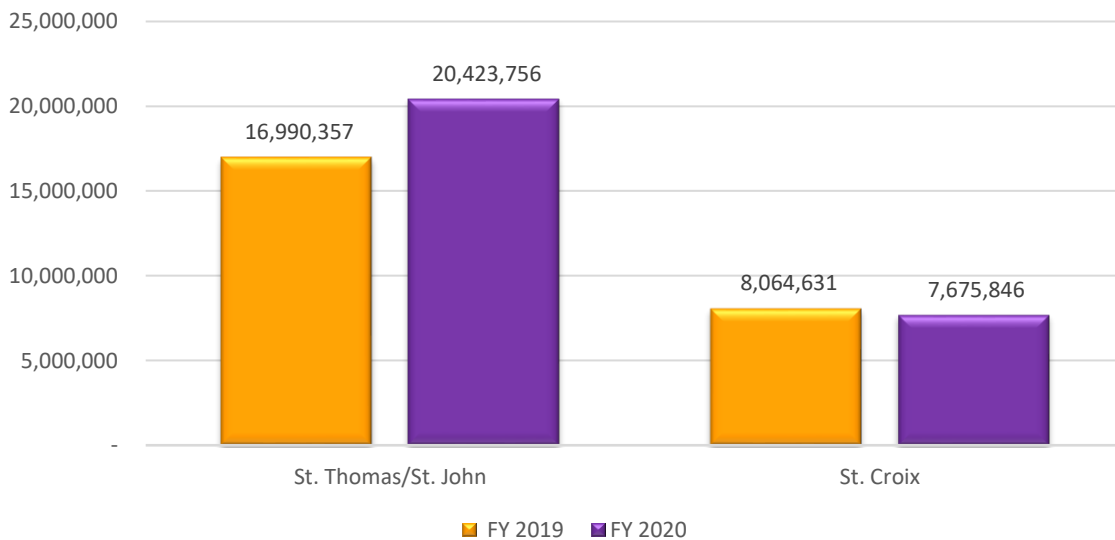
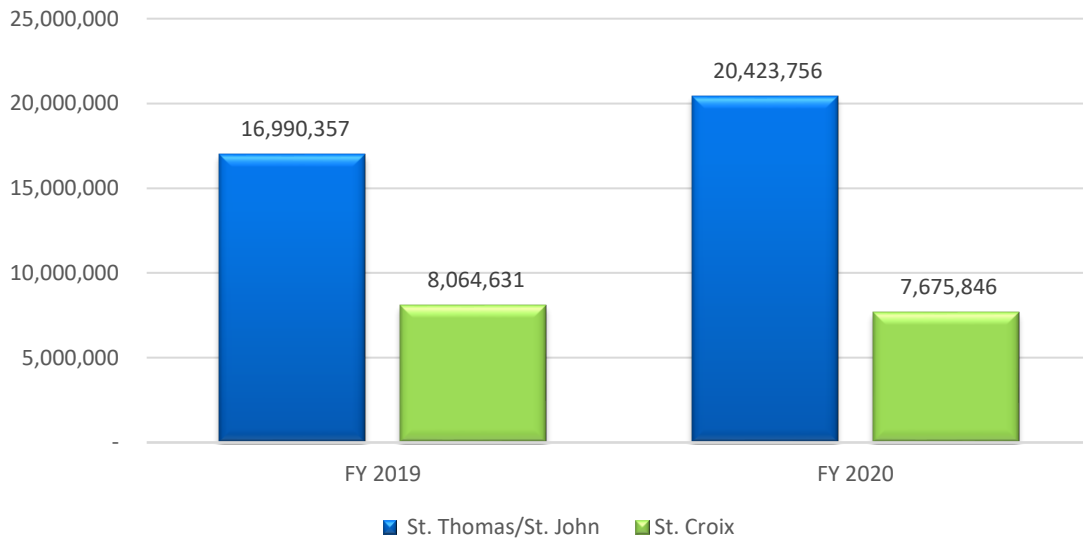
The information provided in this report are the most accurate available as of the date of composition. Furthermore, the report does not purport to be audited financial statements and as such, the numbers are preliminary and subject to change. The information provided here are not final. For final numbers, please refer to the Financial Audit Report from the Department of Finance.

Summary of major revenue categories of General Fund

The major revenue categories explored here are Real Property, Individual Income, Corporate Income, Excise Tax and Gross Receipts. These revenue streams have historically been the most significant contributors to the General Fund. Revenues outside operating income is considered to the extent they provide a complete picture of the Territory's General Fund collections; specifically, the transfers to the General Fund.

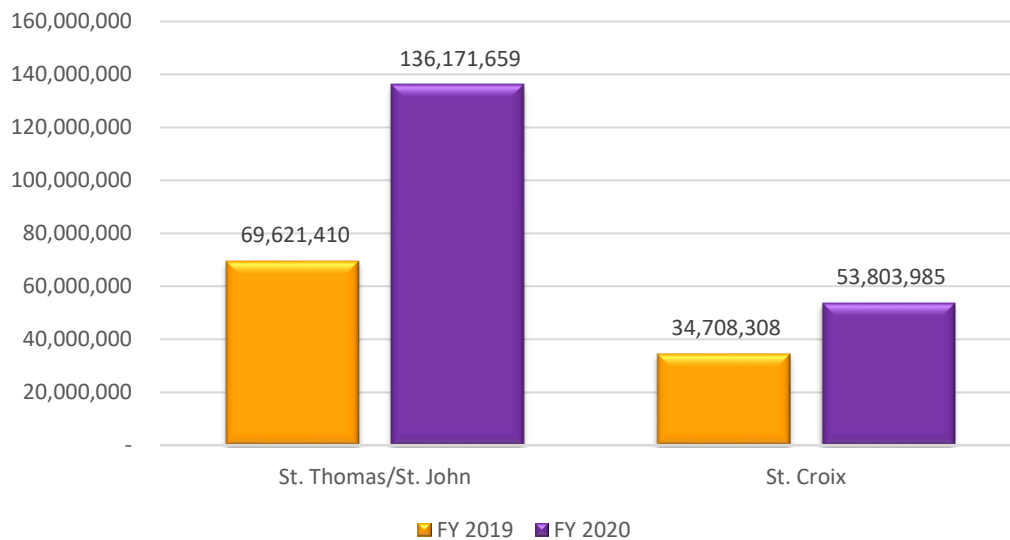
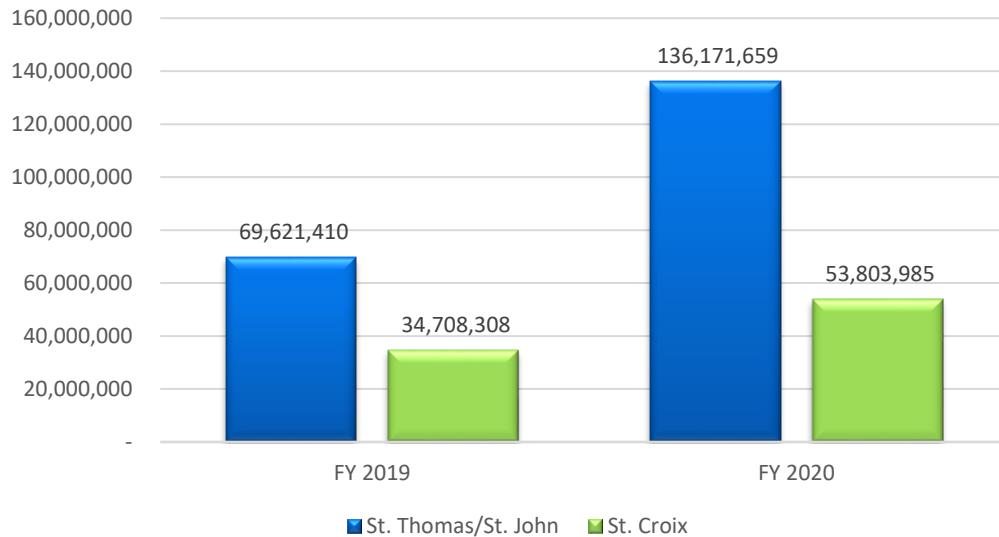
REAL PROPERTY

Compared to FY 2019, Real Property Tax collections in fourth quarter FY 2020 increased 12%. In FY 2020, collections are up by 20% in the STT/STJ and the STX district saw a decrease of 5% when compared to FY 2019. Due to the Lt. Governor Roach's order to waive all interest and penalties on real property tax until June 30, 2021, we anticipate a positive impact on collections over the next two quarters.



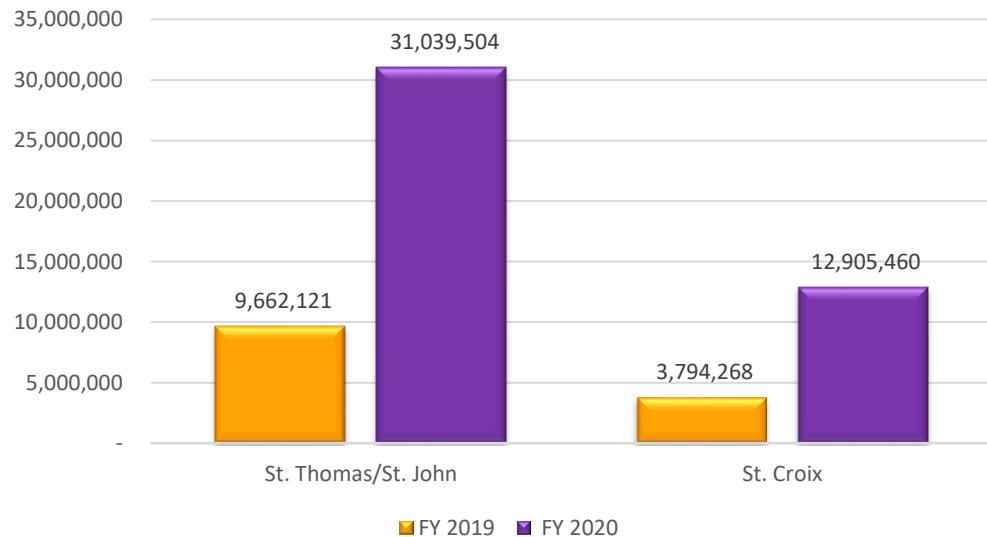
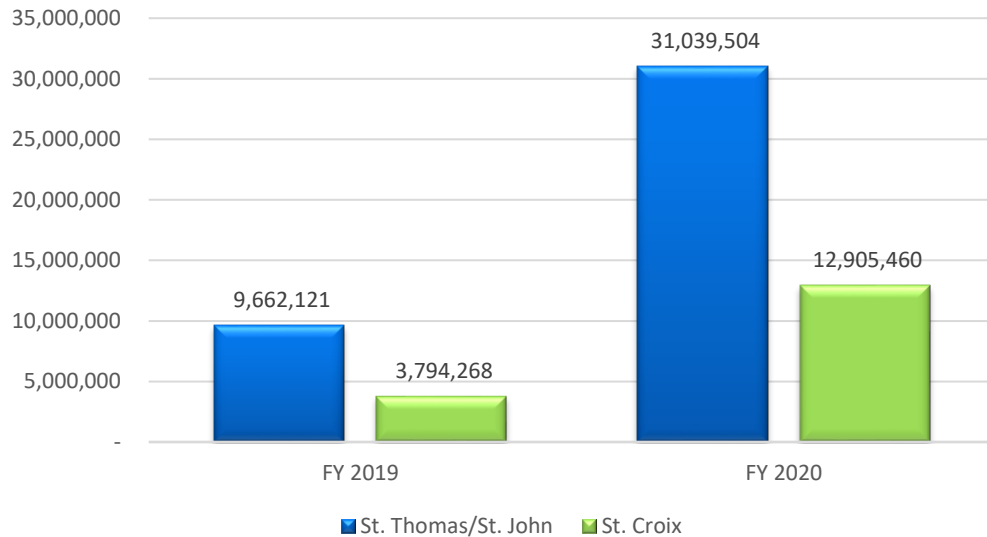
INDIVIDUAL INCOME

Individual Income collections increased 82% in fourth quarter FY 2020 compared to fourth quarter FY 2019. The fourth quarter in the STX district compared to FY 2019, has increased by 55%. The STT/STJ district saw a 96% increase in collections for fourth quarter FY 2020 compared to the same period in FY 2019. Despite the impact from Covid-19, unemployment has begun to decrease and there is a reasonable expectation that Withholding Tax will continue to increase, thus increasing Individual Income collections. According to the VIDOL, the unemployment rate for the Virgin Islands decreased by 3.3% as of October 2020.



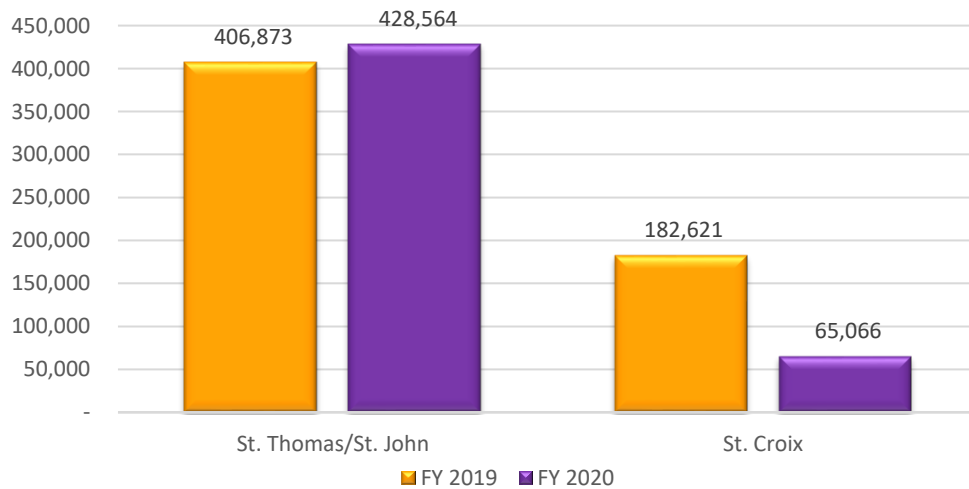
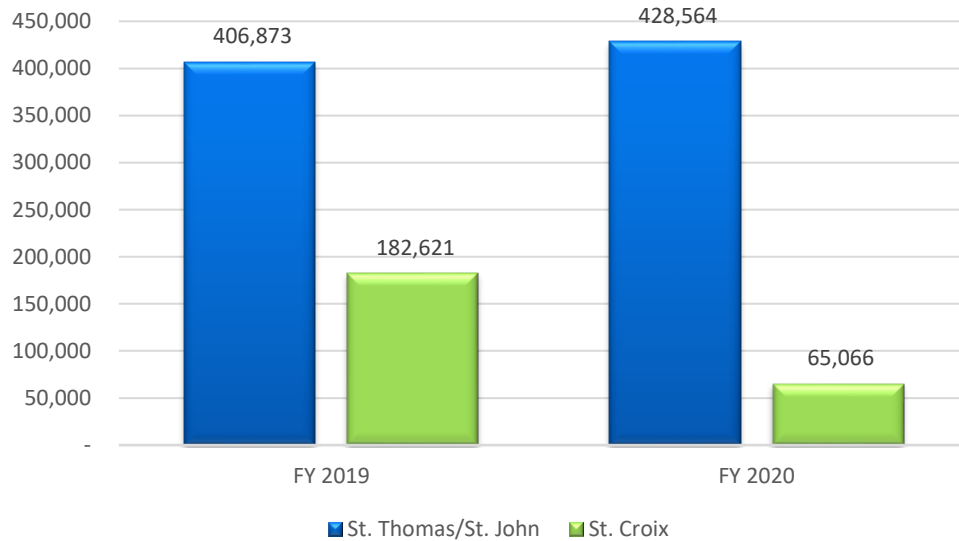
CORPORATE INCOME

The fourth quarter performance for Corporate Income has increased significantly, more specifically into the triple digits. There was an overall 227% increase in Corporate Income collections compared to the same period in FY 2019. The STT/STJ district saw a 221% increase in fourth quarter collections in FY 2020 compared to fourth quarter FY 2019. The same also occurred in the St. Croix District with an increase of 240% in the fourth quarter FY 2020 versus the same point in FY 2019.



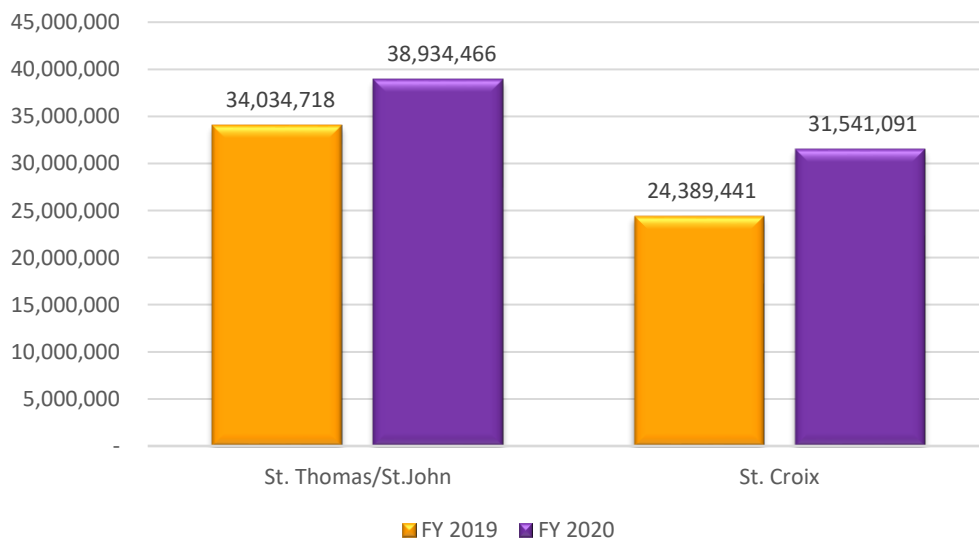
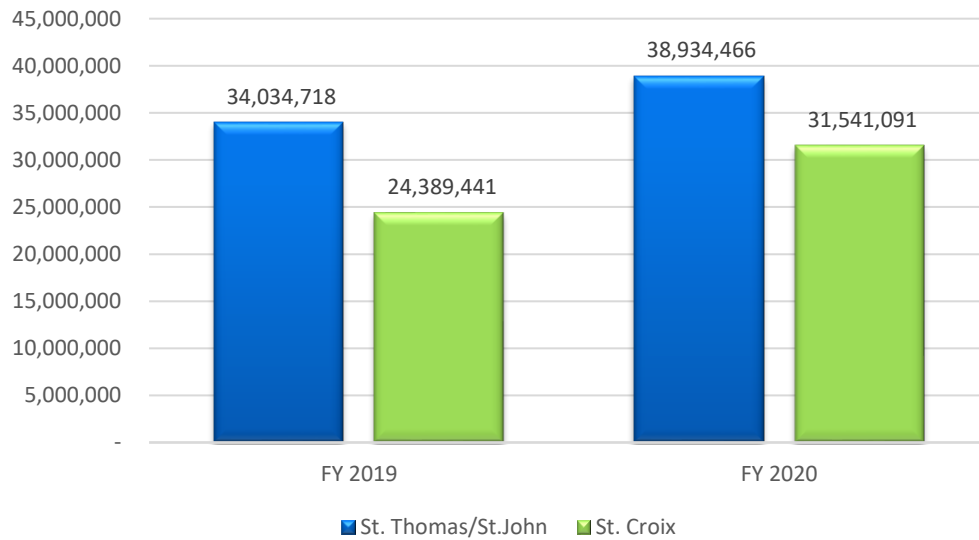
TRADE AND EXCISE

Major collections of Trade and Excise Tax continues to be halted. Despite the halt on major collections, STT/STJ District saw collection increase by 5% compared to FY 2019. Fourth quarter FY 2020 reveals an overall 16% reduction compared to FY 2019. This indicates that this tax category had a slight increase of 3% in the fourth quarter compared to third quarter. According to Director Lee from the Bureau of Internal Revenue, approximately \$84 million has been lost since the halt was imposed by the courts.



GROSS RECEIPTS

The fourth quarter collections for Gross Receipts (GRT) in FY 2020 increased by 21% as compared to FY 2019. Collections in the STT/STJ district increased by 14% compared to FY 2019. Collections on STX increased by 29% in fourth quarter FY 2020 compared to FY 2019. As stated in FY 2020 third quarter, STX collections continue to be sustained by the increased level of non-residential construction happening on the island.

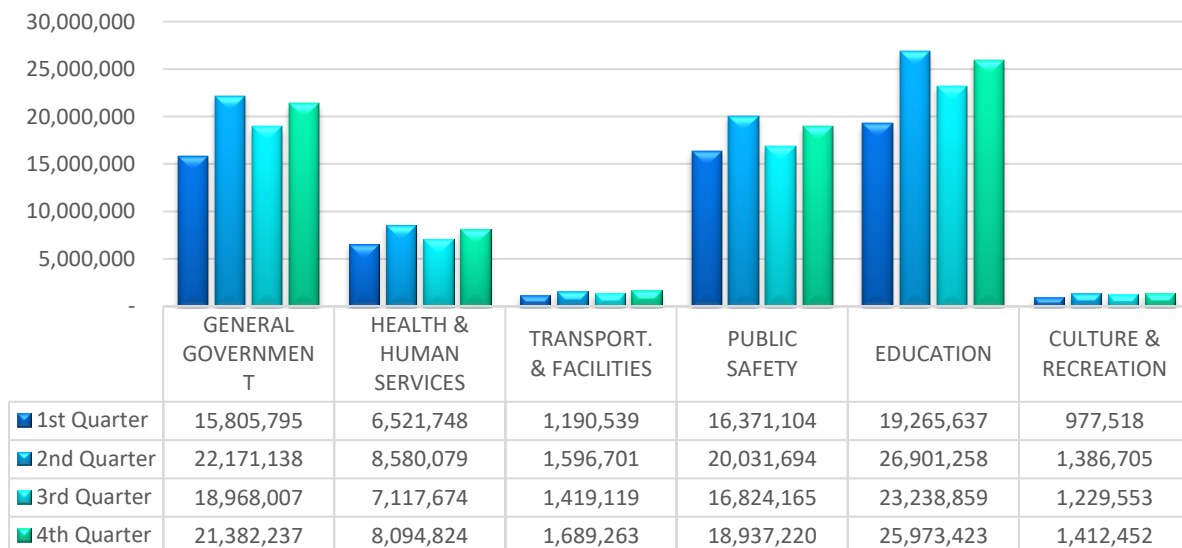
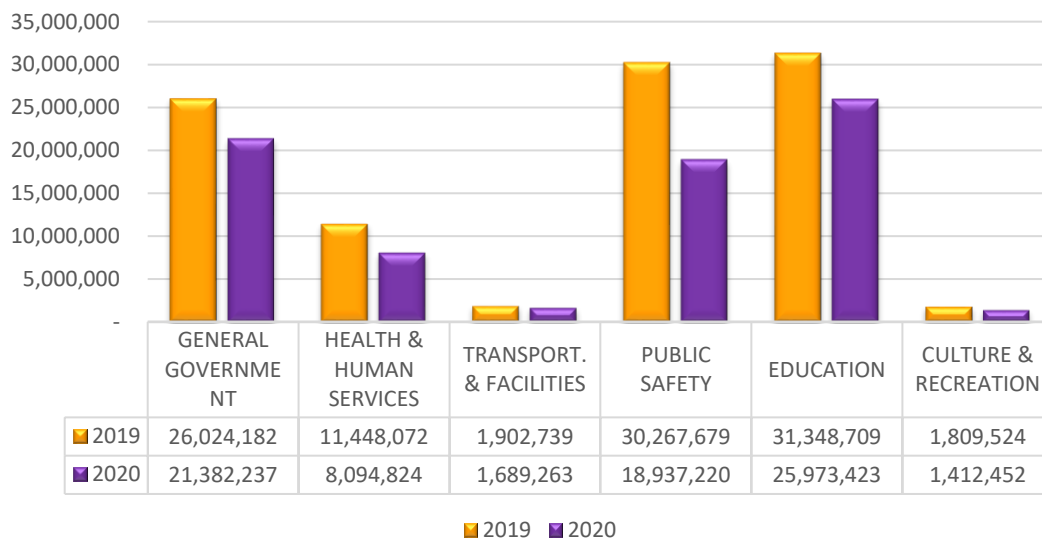


EXPENDITURES

As with previous iterations of this report, the expenditures presented in this report reflect amounts appropriated for General Fund. This report examines the Lapsing portion of the General Fund. In subsequent reports, efforts will be made to include the Non-Lapsing element of the General Fund. The expenditures are analyzed by budget category based on the applicable function of government. While inferences can be made regarding the trajectory of expenditures based on the data presented, expenditures are cyclical and therefore fluctuate. Also, while salaries are a bit more predictable and therefore more suitable to determine effects, caution is still advised given the preliminary nature of the data.

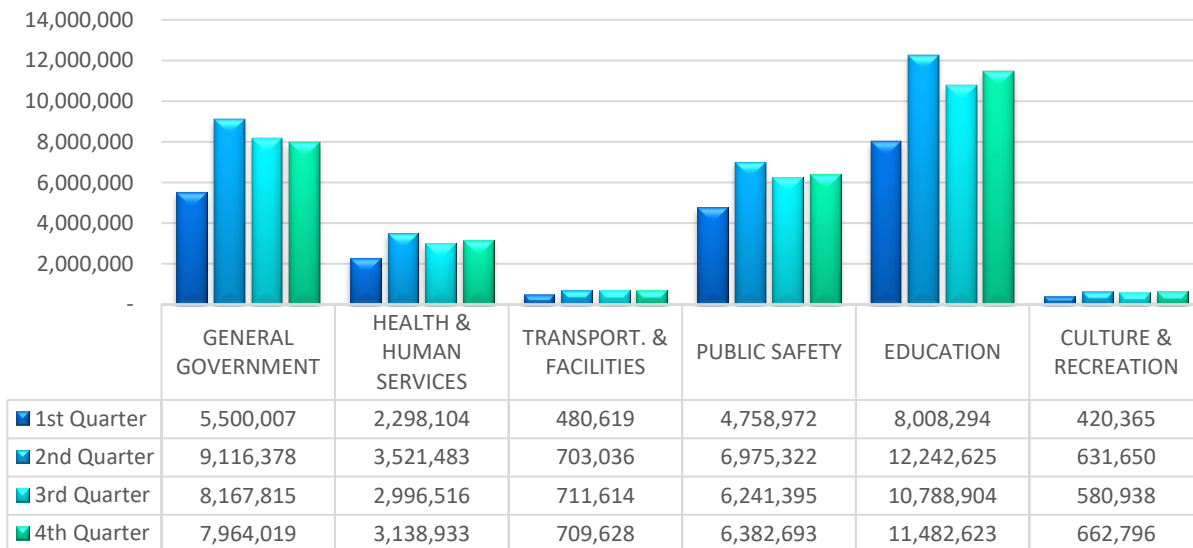
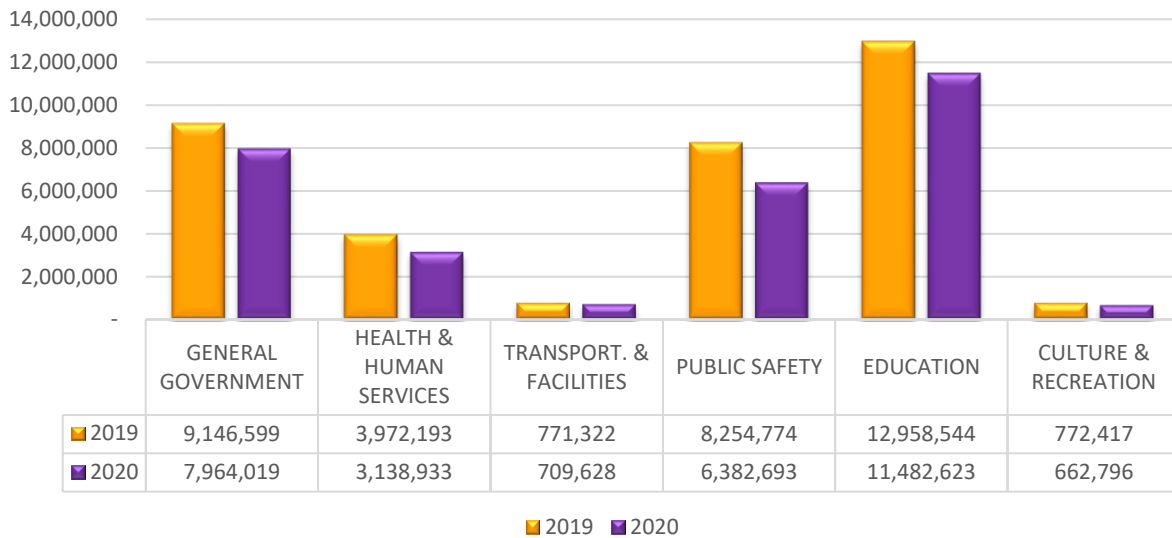
SALARIES

Actual salaries across all function of government decreased 24.62% for fourth quarter FY 2020 as compared to fourth quarter FY 2019. The most significant decrease of 37.43% occurred in Public Safety. Another notable decrease occurred in Health and Human Services at 29.29%. However, upon comparing the actuals for the third and fourth quarters of FY 2020, there was an overall 14.12% net increase in salaries, with increase in Transportation & Facilities of 19%. The increase can be attributed to the utilization of the Families First Coronavirus Response Act (FFCRA) by employees during the third quarter.



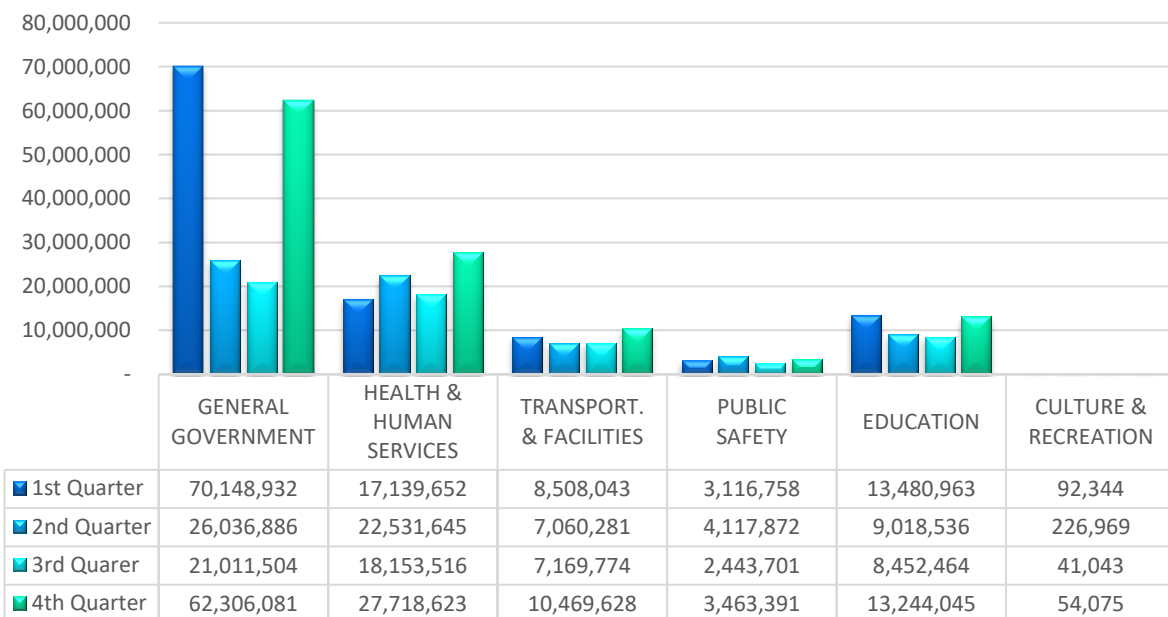
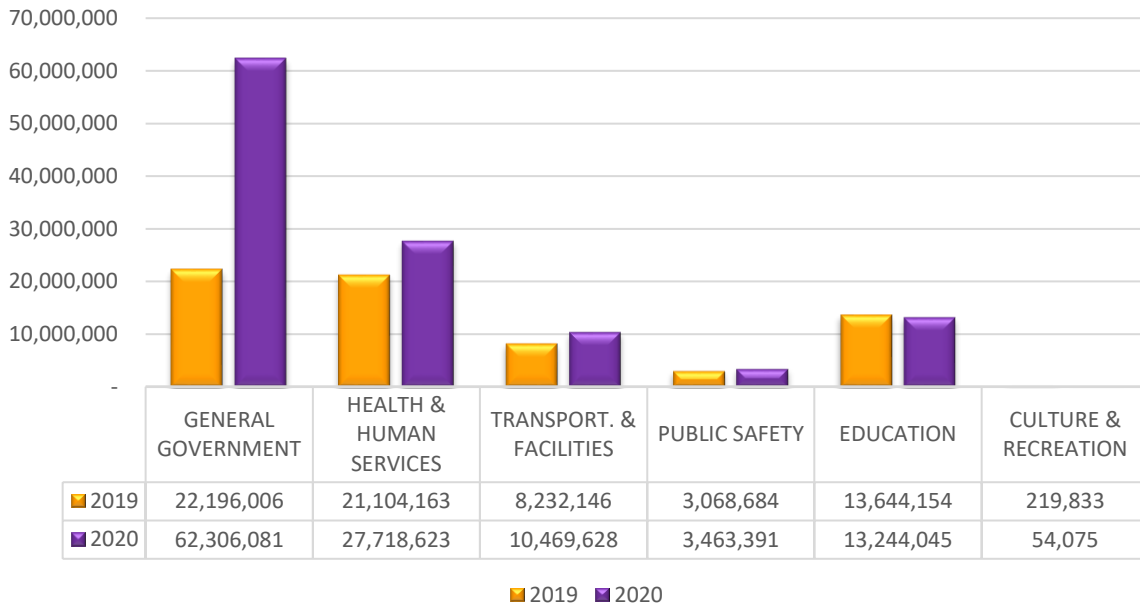
FRINGE BENEFITS

Fringe Benefits decreased by **15.43%** in fourth quarter FY 2020 compared to fourth quarter FY 2019. The most significant decrease was in Public Safety at **22.68%** and Health and Human Services at **20.98%**. Other notable decreases were Culture and Recreation at **14.19%**, General Government at **12.93%**, Education at **11.39%** and Transport and Facilities at **8%**. Alternatively, in the fourth quarter, Fringe Benefits increased **4.13%** as compared to third quarter FY 2020. The increase can be attributed to the decrease of unemployment within the Territory. The Territory's unemployment rate was at an all-time high for FY 2020 at 13.6% during the third quarter compared to 9.4% in fourth quarter.



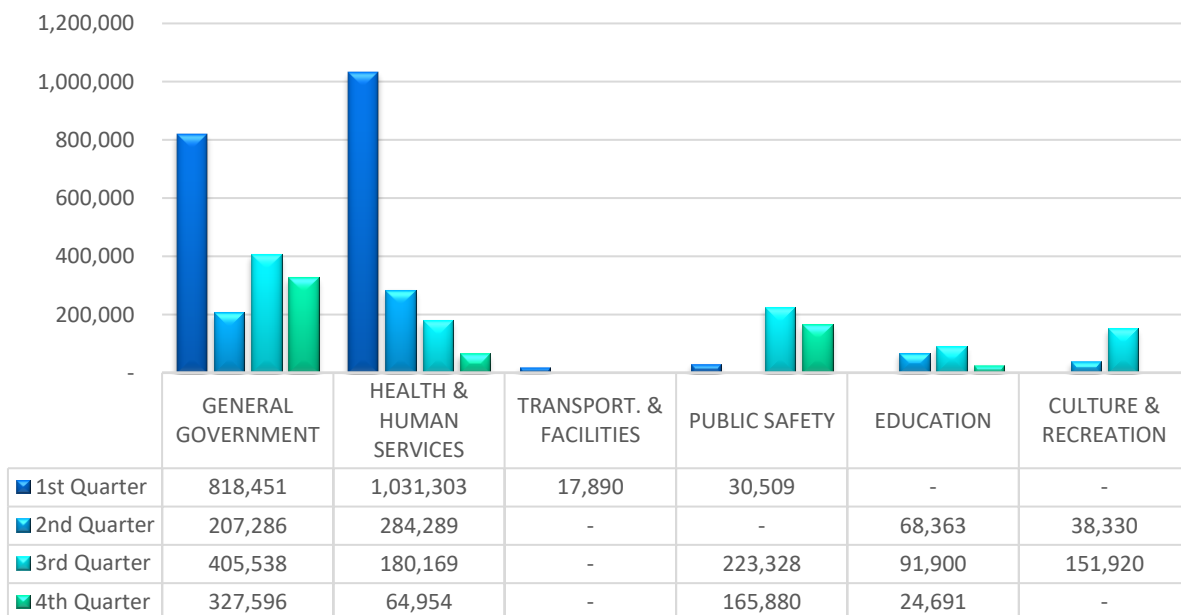
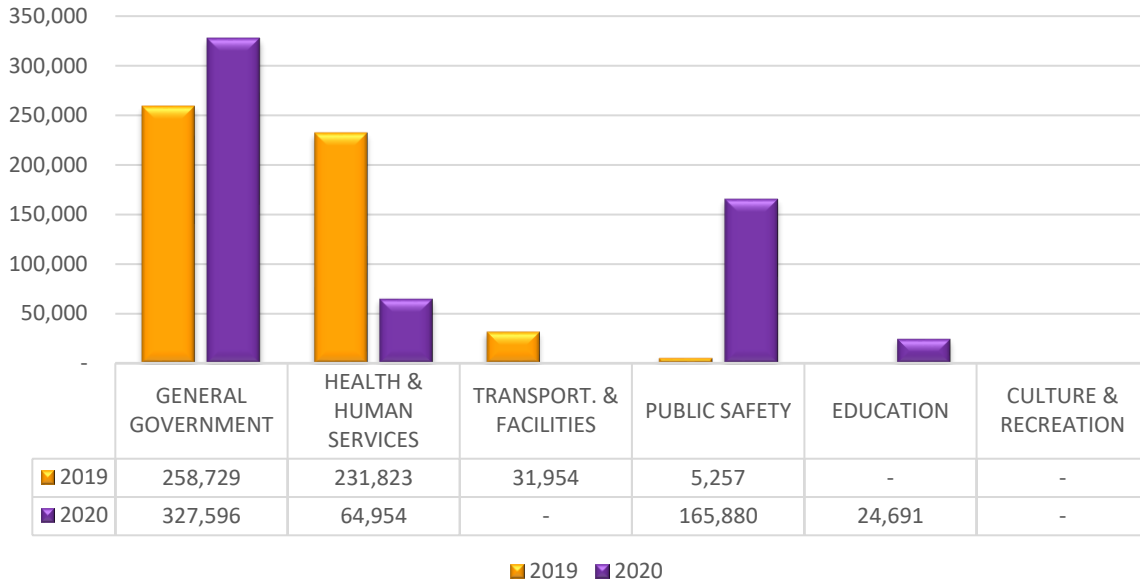
OTHER SERVICES

Other Services saw an overall increase of **71.26%** in fourth quarter FY 2020 compared to the same quarter in FY 2019. Notable increases were in General Government at **180.71%**, Health and Human Services at **31.34%**, Transportation & Facilities at **27.18%**, and Public Safety at **12.86%**. The most substantial decrease occurred in Culture and Recreation at **75.40%**. Additionally, there was a **70.90%** overall increase in fourth quarter for Other Services when compared to the third quarter.



CAPITAL PROJECTS

Capital projects decreased **15.43%** in fourth quarter FY 2020 as compared to FY 2019. The most notable decrease was seen in Culture and Recreation at **100%** and Education at **73.13%**. Comparatively, fourth quarter spending on capital projects decreased by **47%** versus the third quarter.



SUMMARY

Despite the impact of COVID-19, the Territory saw an overall increase of 4% in Total Operating Income. Specifically, Total Taxes increased by 6%, however, Total Other Revenues decreased by 23%. Comparatively though, this represents a 9% reduction in growth compared to FY2018 Vs FY2019, which saw a 13% increase in Total Operating Income. The most notable increase was seen in Miscellaneous Revenue at 727%, Real Property at 33% and Gross Receipts at 11%. By contrast the most notable reductions are Excise Tax at 88%, Stamp Tax at 62% and Corporate Franchise at 46%. Nonetheless, at the end of the fourth quarter, Total Revenues in the General Fund increased by 13%. This increase includes amounts received through the CARES Act and GVI Stimulus Funds. The Total Revenues as of September FY2020 was \$1B compared to \$957.9M for FY2019. From a cash flow perspective, at the end of the fourth quarter FY 2020, specifically the week ended October 2, 2020, the Territory had a negative cash flow of \$7 million and a positive cash balance of \$155.8 million with 58 days cash on hand. While these collections are indeed significant, they also show a slowing down of the Territory's growth trajectory due to the impact of COVID-19.